

State of New York.

No. 1146.

Int. 1073.

IN ASSEMBLY,

February 14, 1913.

Introduced by Mr. COLE — read once and referred to the Committee on Banks.

AN ACT

To amend the banking law, in relation to agricultural co-operative banks.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

- 1 Section 1. Section two of chapter ten of the laws of nineteen
2 hundred and nine, entitled "An act in relation to banks, in-
3 dividual bankers and corporations under the supervision of the
4 banking department, constituting chapter two of the consolidated
5 laws," is hereby amended by adding thereto a new paragraph to
6 read as follows:
- 7 *Agricultural co-operative banks. The term "agricultural co-*
8 *operative bank," when used in this chapter, means any corpora-*
9 *tion organized under the laws of this state and doing business in*
10 *this state upon the co-operative plan for the purpose of encourag-*

EXPLANATION — Matter in *italics* is new; matter in brackets [] is old law to be omitted.

1 *ing thrift, industry, and frugality in agricultural purposes among*
 2 *its members and depositors and of stimulating, aiding by loans*
 3 *and otherwise its members and depositors in perfecting the means*
 4 *of production, selling and distribution of agricultural products.*

5 § 2. Such chapter is hereby amended by inserting therein a
 6 new article, to be article ten-a, to read as follows:

7 ARTICLE TEN-A

8 AGRICULTURAL CO-OPERATIVE BANKS.

- 9 Section 315. Incorporation.
- 10 316. Purposes.
- 11 317. Names not to conflict.
- 12 318. Application of banking law; other corporate laws.
- 13 319. By-laws.
- 14 320. Approval of by-laws by superintendent.
- 15 321. Fiscal year; meetings; qualification of voters.
- 16 322. Board of directors; credit committee; supervisory
 17 committee.
- 18 323. Officers; duties of directors.
- 19 324. Powers and duties of credit committee; loans.
- 20 325. Powers and duties of supervisory committee.
- 21 326. Capital; shares.
- 22 327. Shares and deposits of minor; shares and de-
 23 posits in trust.
- 24 328. Loans; investments.
- 25 329. Payment of loans.
- 26 329-a. Officers entitled to compensation; not to be in-
 27 terested in loans.

- 1 329-b. Expulsion of members.
- 2 329-c. Payments on withdrawal or expulsion of members.
- 3 329-d. Audit by supervisory committee.
- 4 329-e. Dividends.
- 5 329-f. Guaranty fund.
- 6 329-g. Dissolution.
- 7 329-h. Annual report.

8 § 315. Incorporation. Seven or more persons who have as
9 sociated themselves by agreement in writing for the purpose of
10 forming an agricultural co-operative bank may become a cor-
11 poration by making, signing, acknowledging and filing a certi-
12 ficate in the form and manner prescribed by the business cor-
13 porations law, with the consent of the superintendent of banks.
14 The superintendent of banks may grant such consent if he be satis-
15 fied that the proposed field of operation is favorable to the success
16 of such bank and that the standing of the proposed members is
17 such as to give assurance that its affairs will be administered in
18 accordance with the spirit of this article.

19 § 316. Purposes. An agricultural co-operative bank may re-
20 ceive moneys of its members or others in payment for shares or
21 on deposit; may lend to its members at reasonable rates or in-
22 vest as hereinafter provided, the funds so accumulated; and may
23 undertake such other activities relating to the purpose of the
24 corporation as its by-laws may authorize.

25 § 317. Names not to conflict. No person, partnership, associa-
26 tion or corporation, except corporations formed under the pro-

visions of this article, shall hereafter transact business under any name or title which contains the words "agricultural co-operative bank."

§ 318. Application of banking law; of other corporate laws. The provisions of article two of this chapter shall apply to such corporations and their directors, committees and officers and they shall be subject to the supervision of the superintendent of banks to the extent set forth in such article. Such corporations shall also be subject to the general and stock corporations laws insofar as such laws are not inconsistent with this article.

§ 319. By-laws. Subject to the provisions hereof, the by-laws shall prescribe:

1. The name of the corporation.

2. The purpose for which it is formed.

3. The conditions of residence or occupation which shall qualify persons for membership.

4. The par value of the shares of capital stock.

5. Conditions on which shares may be paid in, transferred and withdrawn.

6. Conditions on which deposits may be received and withdrawn.

7. Method of receipting for money paid on account of shares or deposited.

8. Number of directors and number of members of the credit committee.

1 9. The duties of the several officers.

2 10. The fines, if any, which shall be charged for failure to meet
3 obligations to the corporation punctually.

4 11. The date of the annual meeting of members.

5 12. The manner in which members shall be notified of meet-
6 ings.

7 13. Number of members which shall constitute a quorum at
8 meetings.

9 14. Such other regulations as may seem necessary.

10 § 320. Approval of by-laws by superintendent. No such cor-
11 poration shall receive deposits or payments on account of shares,
12 or make any loans until its by-laws shall have been approved in
13 writing by the superintendent of banks, nor shall any amend-
14 ments to its by-laws become operative until they shall have been
15 so approved.

16 § 321. Fiscal year; meetings; qualification of voters. The
17 fiscal year of every such corporation shall end at the close of
18 business on the thirty-first day of December. The annual meet-
19 ing of the corporation shall be held at such time and place as the
20 by-laws may prescribe. Special meetings may be held by order
21 of the directors or the supervisory committee, and the clerk shall
22 give notice of special meetings upon request in writing of ten
23 members. Notice of all meetings of the corporation shall be given
24 in the manner prescribed in the by-laws. No person shall be en-
25 titled to vote who has not been a member for more than three

1 months, but this restriction shall not apply during the first twelve
2 months of the existence of the corporation, nor shall any mem-
3 ber vote by proxy, or have more than one vote. At the annual
4 meeting the members shall, upon recommendation of the board
5 of directors, declare dividends which shall not exceed six per
6 centum per annum, and fix the amount of the entrance fee. At
7 any meeting the members may decide upon any question of in-
8 terest to the corporation, and upon appeal of two members may
9 reverse decisions of the credit committee or board of directors
10 and, by a three-fourths vote of those present, provided the notice
11 of the meeting shall have specified the question to be considered,
12 may amend the by-laws.

13 § 322. Board of directors; credit committee; supervisory com-
14 mittee. At the annual meeting the members shall elect a board
15 of directors of not less than five members, a credit committee of
16 not less than three members, and a supervisory committee of three
17 members. No member of said board shall be a member of either
18 one of such committees nor shall one person be a member of more
19 than one of such committees, and all members thereof, as well as
20 all officers whom they may elect, shall be sworn and shall hold
21 their several offices until others are elected and have qualified in
22 their stead. A record of every such qualification shall be filed
23 and preserved with the records of the corporation.

24 § 323. Officers; duties of directors. At their first meeting the
25 board of directors shall elect from their number a president, a
26 vice-president, a clerk and a treasurer who shall be the executive

1 officers of the corporation. The board of directors shall have the
2 general management of the affairs, funds and records of the cor-
3 poration, and shall meet as often as may be necessary. It shall
4 be their special duty,

5 1. To act upon all applications for membership;

6 2. To act upon the expulsion of members;

7 3. To fix the amount of surety bond which shall be required of
8 each officer having custody of the funds;

9 4. To determine the rate of interest which shall be allowed
10 on deposits;

11 5. To fill vacancies in the board of directors or in the credit
12 committee of the corporation until the election and qualification
13 of officers to fill such vacancies;

14 6. To make recommendations at meetings of the members rela-
15 tive to the amount of entrance fee, the maximum amount of stock
16 which may be held by any one member which shall not exceed
17 fifteen thousand dollars par value and the maximum amount
18 which may be lent to any one member, the dividend to be de-
19 clared, amendments to the by-laws and any other matters which
20 in their opinion the members should decide.

21 § 324. Powers and duties of credit committee; loans. The
22 credit committee shall approve every loan or advance made by
23 the corporation. Every application for a loan shall be made in
24 writing and shall state the purpose for which the loan is desired
25 and the security offered. No loan shall be made unless the credit
26 committee is satisfied that it promises to benefit the borrower, nor

1 unless it has received the unanimous approval of those members
2 of such committee who were present when it was considered, nor
3 if any member of such committee shall disapprove thereof; but
4 the applicant for a loan may appeal from the decision of the
5 credit committee to the board of directors.

6 § 325. Powers and duties of supervisory committee. The
7 supervisory committee shall inspect the securities, cash and ac-
8 counts of the corporation and supervise the acts of its board of
9 directors, credit committee and officers. At any time the super-
10 visory committee, by a unanimous vote, may suspend the credit
11 committee or any officer elected by the board of directors and by a
12 majority vote may call a meeting of the shareholders to consider
13 any violation of this article or of the by-laws or any practice of
14 the corporation which in the opinion of such committee is unsafe
15 or unauthorized. Within seven days after the suspension of the
16 credit committee the supervisory committee shall cause notice to
17 be given of a special meeting of the members to take such action
18 relative to such suspension as may seem necessary. The super-
19 visory committee shall fill vacancies in their own number until
20 the next annual meeting.

21 § 326. Capital; shares. The capital of the corporation shall
22 be unlimited in amount. Shares of capital stock may be sub-
23 scribed for and paid in in such manner as the by-laws shall pre-
24 scribe.

25 § 327. Shares and deposits of minor; shares and deposits in
26 trust. Shares may be issued and deposits received in the name
27 of a minor, and such shares and deposits may, in the discretion

1 of the directors, be withdrawn by such minor or by his parent or
2 guardian and in either case payments made on such withdrawals
3 shall be valid. If shares are held or deposits made in trust the
4 name and residence of the beneficiary shall be disclosed and the
5 account shall be kept in the name of such holder as trustee for
6 such person. If no other notice of the existence and terms of
7 such trust has been given in writing to the corporation, such
8 shares or deposits may, upon the death of the trustee, be with-
9 drawn by the person for whom the amount of such shares was
10 paid in or for whom such deposit was made, or by his legal repre-
11 sentative.

12 § 328. Loans; investments. The capital, deposits and surplus
13 funds of the corporation shall be either lent to the members for
14 such purposes and upon such security and terms as the credit com-
15 mittee may approve, or deposited to the credit of the corporation
16 in savings banks or trust companies incorporated under the laws
17 of this state, or in national banks located therein. The capital,
18 deposits and surplus funds of the corporation shall not be in-
19 vested in or lent on security of bond and mortgage in excess of
20 thirty per centum of the capital stock.

21 § 329. Payment of loans. A borrower may repay the whole
22 or any part of his loan on any day on which the office of the cor-
23 poration is open for the transaction of business. For failure to
24 pay the interest or any instalment required by the terms of the
25 loan, the borrower may be fined if the by-laws so prescribe.

1 § 329-a. Officers entitled to compensation; not to be interested
2 in loans. No member of the board of directors or of the credit
3 or supervisory committee shall receive any compensation for his
4 services as a member of such board or committee, nor shall any
5 member of the credit or supervisory committee either directly or
6 indirectly borrow from, or become surety for any loan or advance
7 made by the corporation. But the officers elected by the board
8 of directors may receive such compensation as such board shall
9 authorize.

10 § 329-b. Expulsion of members. The board of directors may
11 expel from the corporation any member who has not carried out
12 his engagements with the corporation, or has been convicted of a
13 crime, or neglects or refuses to comply with the provisions of this
14 article or of the by-laws, or whose private life is a source of scandal,
15 or who habitually neglects to pay his debts, or shall become in-
16 solvent or bankrupt, or shall have deceived the corporation with
17 regard to the use of borrowed money; but no member shall be so
18 expelled until he has been informed in writing of the charges
19 against him and an opportunity has been given to him after rea-
20 sonable notice to be heard thereon.

21 § 329-c. Payments on withdrawal or expulsion of member.
22 The amounts paid in or shares or deposited by members who have
23 withdrawn or have been expelled shall be paid to them, but in the
24 order of withdrawal or expulsion and only as funds therefor be-
25 come available after deducting any amounts due by such members

1 to the corporation ; but such expulsion shall not relieve a member
2 from any remaining liability to the corporation.

3 § 329-d. Audit by supervisory committee. Immediately be-
4 fore a meeting of the directors called to recommend the declara-
5 tion of a dividend, the supervisory committee shall make a thor-
6 ough audit of the receipts, disbursements, income, assets and lia-
7 bilities of the corporation for the fiscal year and shall make a full
8 report thereon to the directors. Such report shall be read at the
9 annual meeting and shall be filed and preserved with the records
10 of the corporation.

11 § 329-e. Dividends. At the annual meeting a dividend not to
12 exceed six per centum per annum may be declared from income
13 which has been actually collected during the fiscal year next pre-
14 ceding or during the months which have elapsed since the corpora-
15 tion began business, and which remains after the deduction of all
16 expenses, losses, interest on deposits and the amount required to
17 be set apart as a guaranty fund. Such dividend shall be paid on
18 all fully paid shares outstanding at the close of the fiscal year, but
19 shares which become fully paid during the year shall be entitled
20 only to a proportionate part of such dividend, calculated from the
21 first day of the month following such payment in full. Dividends
22 due to a member shall be paid to him in cash or credited to the
23 account of partly paid shares for which he has subscribed.

24 § 329-f. Guaranty fund. Immediately before the payment of
25 each dividend, there shall be set apart as a guaranty fund twenty
26 per centum of the net income which has accumulated during the

1 fiscal year. Such surplus shall not be accumulated in excess of
2 fifty per centum of the paid up capital stock. Such fund and the
3 investments thereof shall belong to the corporation and shall be
4 held to meet contingencies or losses in its business. All entrance
5 fees shall be added at once to the guaranty fund, but on recom-
6 mendation of the board of directors the members at an annual
7 meeting may increase, and whenever such fund equals or exceeds
8 fifty per centum of the amount of capital stock actually paid in,
9 may decrease the proportion of profits which is required by this
10 section to be set apart as a guaranty fund.

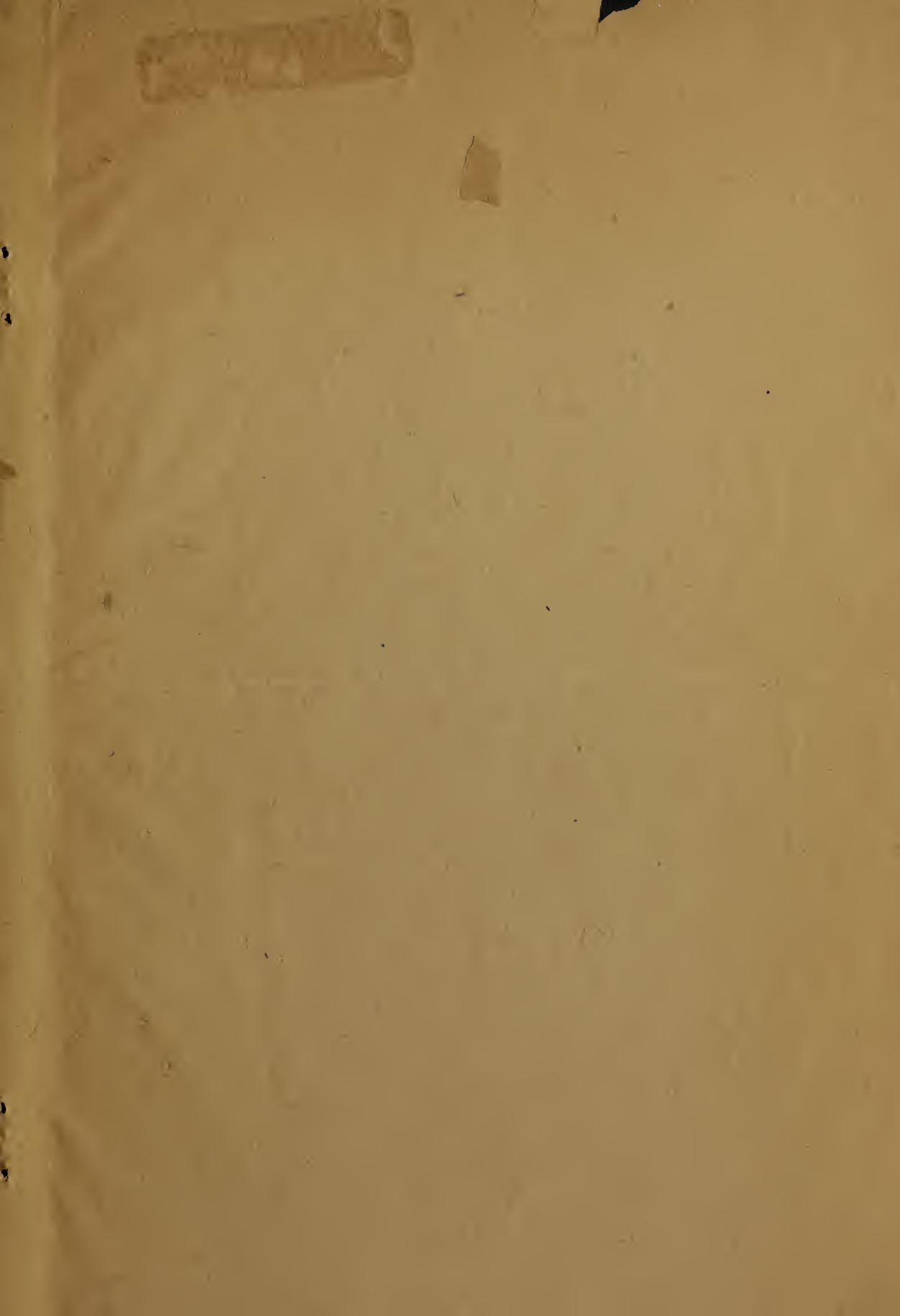
11 § 329-g. Dissolution. At any meeting specially called to con-
12 sider the subject, the members upon the unanimous recommenda-
13 tion of the board of directors may vote to dissolve the corporation,
14 provided at least two-thirds of the members are present at such
15 meeting and provided not more than ten members either in person
16 or by written notice object thereto. A committee of three shall
17 thereupon be elected to liquidate the assets of the corporation and
18 each share of the capital stock according to the amount paid
19 thereon shall be entitled to its proportion of the proceeds after all
20 deposits and debts of the corporation have been paid.

21 § 329-h. Annual report. Within twenty days after the last
22 business day of October in each year, every such corporation shall
23 make to the superintendent of banks a report in such form as he
24 may prescribe, signed by the president, treasurer and a majority
25 of the supervisory committee who shall certify and make oath that
26 the report is correct according to their best knowledge and belief.

1 Any such corporation which neglects to make such report within
2 the time herein prescribed, shall be liable to a penalty of one hun-
3 dred dollars for each day during which such neglect continues.

4 § 3. This act shall take effect immediately.

5 Assembly, No. 1146. 4





3 0112 061591787